

Illegal Tobacco Task Force Minutes

Meeting Date: April 7, 2016

Meeting Time: 10:30am

Meeting Location: 100 Cambridge Street, 2nd Floor, Conference Room A

Board Members Present: Kajal Chattopadhyay (Co-Chair), Steve Fennessey (Co-Chair), Michael Sweeney, Christy Fedor, Lea Susan Ojamaa, Thomas Bocian, Amber Villa

Others: Ledina Mita, Evan Garcia, Brenda McConville, John Donohue, Alex Finkel, Josh Brabazon, Paul D'Amore, Molly Parks, Lisa Dell'Anno, Victor Solorzano, Peter French, Casey Harvell, Kathy Sheets, Michael D'ortenzio, Bill Potvin, Ben Solivan, Molly Slingerland, Keith Canning, Paul Caron, Gena Canning.

Call to Order:

- Co-Chair Kajal Chattopadhyay called the meeting to order at 10:36am.
- Members of the Task Force were asked to read the previous meeting minutes and approve them. Michael Sweeney made the motion to approve the minutes; Thomas Bocian seconded. The minutes were approved by unanimous vote.

NEWDA Presentation:

- Mr. Chattopadhyay introduced the day's speakers. Representatives from the New England Wholesale Distributors Association (NEWDA) were invited to present to the Task Force. The topics of discussion included an overview and a review of current trends in the legal tobacco market, including Other Tobacco Products (OTP), from the distributor and retail perspectives. The presentation also covered issues relating to the illegal market.
- NEWDA represents the cigarette stamping organizations and wholesalers across the six New England States. According to Executive Director Paul Caron, NEWDA members stamp two-thirds of all stamped product in the region.
- NEWDA Co-Chairs Gena and Keith Canning of Pine Street Trading Company presented data and opinions regarding the illicit tobacco and OTP trade and its effect on the state and stamping companies operating in Massachusetts.
- Mr. Canning discussed the need for regulation and says he has worked with DOR and other agencies in the past to increase compliance. There is a major value proposition for e-cigarettes, he says, as well as significant revenue loss due to the illicit tobacco trade.
- Massachusetts has among the highest state excise taxes for tobacco in the US, according to NEWDA. The Commonwealth's proximity to other lower tax states like New Hampshire, Maine and Pennsylvania also fuels the illicit trade.
- Mr. Canning presented a breakdown indicating that a pallet of moist smokeless tobacco (consisting of 810 5 pack rolls) can yield \$11,340 in profit in the illicit market.

- According to Mr. Canning, better data collection and use of data compiled by third parties is the most effective method to combat illegal trade in cigarettes and OTP.
- Ms. Canning stressed the need for more stringent licensing requirements as a method to combat illegal tobacco sales. She noted that cigar distributors in Massachusetts can very easily obtain licenses, which do not require payment of a fee. Such a low barrier to entry encourages unscrupulous actors to enter the market.
- The Cannings and Mr. Caron agreed that the challenge to stamping OTP is the high price of the required equipment. At the time Massachusetts adopted encrypted stamping for cigarettes, some smaller companies could not afford the equipment.

DOR Tobacco Enforcement Presentation:

- DOR's Evan Garcia, Brenda McConville and John Donohue presented a live demonstration of the method by which the tobacco investigators use the SICPA iPhone scan device during their store inspections and compliance visits.
- Both legally stamped and illegally stamped (confiscated from prior store investigations) were used to help demonstrate how the device works and what information is given to investigators while out in the field.
- Alex Finkel of SICPA Meyercord was also on hand to assist the team and describe technical information during the presentation.

Other Business:

- Mr. Chattopadhyay called the Task Force members' attention to their folders, which included the general ISA for the Task Force as well as the individual financial ISAs.
- As stated by Mr. Chattopadhyay, the general ISA needs to be signed by each member agency as a "blueprint" document while separate financial ISAs will be signed by EPS and each member agency requesting funds from the Task Force's budget appropriation.
- Once all agreements are signed and filed, the member agencies of the Task Force will be able to spend the money allocated to them.

Legislative Changes/Reports to Legislature:

- Mr. Chattopadhyay also gave an update on the status of the legislative changes. He indicated that progress has been made and that DOR has been invited to make a presentation to the Governor at an upcoming cabinet meeting.
- Given impending deadlines, Mr. Chattopadhyay suggested two reports be submitted: the first would provide an overview and update of the Task Force's work to date and the second, which is due by July 1, would include proposals for legislative changes.
- Mr. Chattopadhyay asked for comments and suggestions on the draft of the first report shared with the Task Force in advance of the meeting. No Task Force members expressed interest in discussing the report at the meeting and Mr. Chattopadhyay asked for written comments by the middle of the following week so that the report could be finalized and submitted.

Meeting was adjourned at 12:25pm by Mr. Chattopadhyay.